

**COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2006-AH-005
ADMINISTRATIVE ACTION NO. 06-PPC-0112**

OFFICE OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

SETTLEMENT AGREEMENT

BERRY RESOURCES, INC.
and RALPH O. BERRY, III

RESPONDENTS

* * * * *

Whereas the Complainant, Office of Financial Institutions (the "OFI"), filed an administrative complaint herein on January 27, 2006 and subsequently by Order dated June 9, 2006 was permitted to file an amended complaint against the Respondents; and,

Whereas the original Complaint and the Amended Complaint both contained allegations of sales of interests in oil and gas well exploration programs in violation of KRS Chapter 292, specifically that the Respondents have sold such interests without filing a Form D notifying the OFI of the sale as required by law; that such sales were made using unregistered sales agents; and, that such sales were made using offering materials which failed to contain material facts or misstated facts essential to the investment decision; and,

Whereas the parties have reached a settlement of the issues raised by the Complaint and the Amended Complaint herein;

It is hereby agreed as follows:

1. The Respondents admit that interests have been sold in oil and gas exploration programs issued by Berry Resources, Inc. without the use of registered agents and without notice filing a Form D with the Complainant for some such programs. The Respondents agree to henceforth file its Form D within 15 days of the sale of a security whether such sale is to a resident of this state or to a non-resident of this state. The Respondents agree henceforth to only employ persons, who are effecting or attempting to effect purchases or sales of securities in its behalf, who are registered in Kentucky as an agent or broker-dealer.

2. The Respondent, Ralph O. Berry, acknowledges that he previously agreed with the OFI to become registered in Kentucky as an agent. Berry was previously registered as an agent of a broker-dealer; however, had not been so registered since August 10, 1995. He agrees to submit an application to become registered as an agent of an issuer by December 1, 2006. The application shall contain proof of passing the Series 63 exam within the past two years.

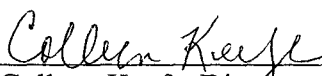
3. The Respondents agree to pay an administrative fine in the sum of Five Thousand Dollars (\$5,000). Payment shall be payable to the Kentucky State Treasurer but mailed to the Complainant.

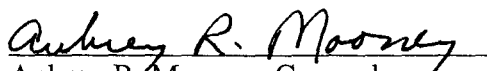
4. The Respondents neither affirm or deny but acknowledge that the Kentucky Division of Securities has the opinion that the offering materials for the BRI-Heidi #1-21 and #2-21 and the Prospect #11 and Prospect #12 programs were deficient by failing to provide full disclosure to prospective purchasers of interests in such programs.

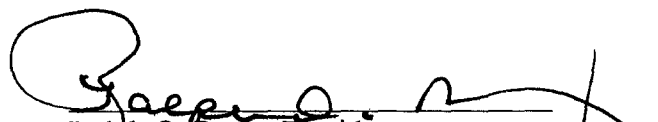
The Respondents do agree to update its offering materials for these and future oil and gas programs by eliminating language in its promotional materials that Berry Resources, Inc.

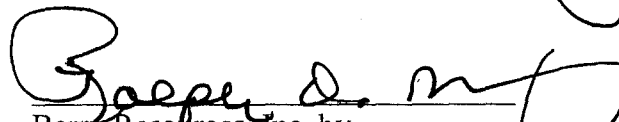
has a 100% success rate in the production of oil and gas wells; by providing in its Private Placement Memorandum (the "PPM") a more detailed breakdown of the use of proceeds to be spent by the general partner in the oil and gas project; by placing in the PPM a listing of the various wells that have been drilled in the past and whether or not they are productive or non-productive. The Respondents understand that allegations (other than those stated in this paragraph #4) of non-disclosure were made by the Complainant in its Complaint and Amended Complaint and the parties agree to continue a joint effort to refine the Respondent's offering materials to provide all information material to an investment decision. To that end, the Respondents agree that its offering including PPM's for programs presently offered will be submitted to the OFI for review within thirty (30) days after the execution of this Settlement Agreement. The Respondents further agree that all offering materials for future programs will be substantially similar to the revised documents and the revised documents will be provided to investors.

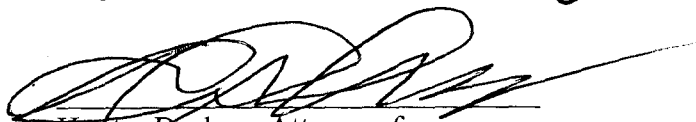
It is understood and agreed that the above terms will be incorporated into a Final Order of the Executive Director of the Office of Financial Institutions.


Colleen Keefe, Director
Division of Securities


Aubrey R. Mooney, Counsel
Office of Financial Institutions


Ralph O. Berry, President
Berry Resources, Inc.


Berry Resources, Inc. by
Ralph O. Berry, President


Hunter Durham Attorney for
the Respondents